

# Informal Employment, Poverty and Growth in India and China

104239-002

Cai Fang, Du Yang

**Report Type:** Final Report

**Period Covered by the report:** August 2009-Janurary 2012

**Date of submission:** March 15, 2012

**Country:** China

**Research Institution:** Institute of Population and Labor Economics, Chinese Academy of Social Sciences

**Address of Research Institution:** No. 5, Jianguomennei Dajie, Beijing 100732, CHINA

**Research Team members:** Cai Fang, Du Yang, Wang Meiyang, Wu Yaowu, Qu Yue, Qu Xiaobo, Zhang Zhanxin, Gao Wenshu, Cheng Jie, and Zhao Wen.

**Contact Persons:**

CAI Fang, email: [caifang@cass.org.cn](mailto:caifang@cass.org.cn); Tel: 86-10-8519-6095

DU Yang, email: [duyang@cass.org.cn](mailto:duyang@cass.org.cn); Tel: 86-10-8519-5416

## **Synthesis**

The work implemented by Institute of Population and Labor Economics is part of joint project, “informal employment, poverty and growth in India and China”. According to the research proposal approved by IDRC, this project is to fill a number of conceptual and empirical gaps in the analysis of informal labor markets in India and China. In addition, the project tries to understand the role of informal sectors in poverty reduction and economic growth as well.

The China team has successfully conducted an urban household survey in two selected cities and the sample includes both local residents and migrants who are the most vulnerable group in terms of labor market informality.

Five workshops were held to thoroughly discuss the survey design, data collection, paper writing, and comparisons between China and India.

Based on the collected data, six individual country papers and five joint comparative papers are produced. Some are in the progress of publishing.

To disseminate the research findings, in particular, to policy makers in relevant areas, two conferences were held in Beijing.

## **The research problem**

In addition to better measurement for informal employment and comparisons between China and India, this project is going to contribute to policy making in the relevant areas.

In China, the information on informal employment in national statistics is not sufficient. Through our household survey, a report that addresses the measurement for informal employment will be submitted to China’s statistical agency so as to improve the related work in this regard.

Understanding the informal employment in the Chinese labor market is of policy relevance too. Both in China and India, it is necessary to analyze the informal employment and its structure under the conditions of rapid growth, economic reform, and globalization. The role of informal sectors for economic growth and poverty reduction has to be evaluated. More importantly, the policy makers in China are concerning the ways to a more formal but active labor market through the tradeoff between a secure labor market and a more flexible one.

A comparison between China and India is of greatest interest in this project. The differences and similarity of informality between the two labor markets are addressed in five joint comparative papers which are being finalized.

## **Project Implementation and management**

The research team has completed the tasks as planned in approved proposal. The activities supported under the project during the reporting period are briefly described as follows.

### *Complete the household survey in two cities*

In November 2009, the main survey was kicked off in Shanghai and Shenyang. In each city, 700 local households and 600 migrant households were sampled and investigated. Both household and individual information was collected. In March 2010, the household survey was completed.

### *Data entry and cleaning*

Data entry was done in April 2010. Afterwards, one month was spent to clean the data. Problems were corrected by re-asking the households during the process of cleaning.

### *Research Papers*

The individual country papers will be published as a volume with the contributions from India side together. Papers from China side include the followings.

- Defining the Informality in China's Urban Labor Market
- Measurement and Determinants of Vulnerability in China's Urban Labor Market
- The Returns to Education in Formal and Informal Sectors
- Labor Mobility in Urban Labor Market
- The Social Assistance Program in Urban China
- The impact of labor contract law on China's labor market

In addition, working with Indian team together, five joint comparative papers on informality definition, vulnerability measurement, returns to education, labor mobility, and social protection will be written up soon.

### *Workshops with Indian team*

Five workshops were implemented during the whole research period.

The first workshop was held in Beijing right before the survey. China and India team discussed survey instruments together.

The second workshop with Indian team was held on Sep 1 and 2 in Beijing, 2010. The workshop included five sessions, "Nature of Employment Informality", "Social

Protection and Informality”, “Labor Market Regulations and Informality”, “Job Mobility and Impact of the Financial Crisis”, and “Discussion on Collaboration between China and India teams”.

The third joint workshop was held in April, 2011, in New Delhi. Five participants from China team presented paper on the workshop. Each paper was fully discussed. After the New Delhi workshop, all the authors revised papers according to the comments on the workshop.

The fourth workshop was held on Sep. 14-16, 2011, in Beijing. All the revised papers were presented. On the workshop, five comparative papers were selected.

A final workshop was held in Hongkong in Oct. 2011. The five comparative papers were discussed.

### *Conferences*

Two conferences were hosted by Institute of Population and Labor Economics to disseminate the research findings.

Some preliminary findings were presented on the first conference on Aug. 31, 2010, hosted by IPLE. The four presented papers are “Changes in Informality in China’s Urban Labor Market: Evidences from micro level surveys”, “Social Protection in the Chinese Labor Market: Evidence from the micro level Surveys”, “Labor Contract Law and Its Implementation: Evidences from the CULS Survey”, and “The Impacts of Crisis on Employment in China”.

Final research findings on individual country papers were presented on the second conference on Sep. 14-15, 2011,

### **Capacity building**

The research team consists of junior faculties who need capacity building, including 4 post-docs and two young researchers who joined the research team recently. Through this project, they had very good opportunities to participate in the every procedure of this project, including survey instrument designing, sampling, survey monitoring, survey quality check, data cleaning, paper writing and paper presenting. All the junior researchers from China team think they have built up research capacity through this project.

### **Impacts**

Through conferences and workshops, the research team well disseminated the research findings to policy makers in China. The trend and features of labor market

informality in China have been well recognized by relevant policy makers.

With communication with NBS, the importance of household survey in labor market statistics has been well realized by officials, which is believed to have impact on the improvement of national statistics.